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UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
FAR EAST BRANCH
1833 KALAKAUA AVENUE
HONOLULU, HAWAII 96815

AUG 28 1969

Commanding General
Fleet Marine Forces, Pacific
Camp H. M. Smith
Aiea, Hawaii 96701

Dear Sir:

The General Accounting Office has reviewed selected aspects of the military supply systems in the Far East. This review included an examination into the effectiveness and economy of certain aspects of the Marine Corps supply system. The review was performed during the period February to May 1969 at the 3rd Force Service Regiment (FSR), Okinawa; the Force Logistics Command (FLC), Vietnam; and the Marine Corps Supply Activity (MCSA), Philadelphia, Pennsylvania.

The overall results of our Far East supply review are presented in a draft of a proposed report to the Congress which was forwarded to the Secretary of Defense on July 3, 1969. Copies of this draft report were previously sent to you.

In addition to the areas warranting improvement within the Marine Corps supply system which are identified in that draft report, we believe that an additional matter which we observed during our review at the Force Logistics Command (FLC) warrants increased management attention by your command. This matter is discussed in detail below.

NEED FOR REEVALUATING CONTROLS FOR
REVIEWING THE VALIDITY OF SUPPLY
REQUIREMENTS

Our review of a selected number of backordered FLC requisitions disclosed that more than half of these requisitions did not represent valid customer requirements. Our test showed the need for an expansion of FLC's requisition review procedures and increased Command attention to encourage FLC customers to validate their requisitioned requirements.

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In order to test the accuracy of customer demand data being used by FLC to compute stockage levels, we reviewed the validity of 92 backordered requisitions selected from FLC's March 1969 obligation listing. These requisitions involved orders for 18 items submitted by 15 FLC customers. Our selection included those items which appeared questionable due to the quantity ordered or the demand coding.

In each instance where we selected a requisition for review, we also included all other requisitions for the same material from the same customer, regardless of quantity or demand coding. At our request, FLC transmitted messages to the applicable customers which requested verification of the requisition quantities, and/or demand code determinations.

The results of our test of the 92 backordered requisitions are summarized below.

<u>Number of requisitions</u>	<u>Dollar value</u>	<u>Disposition after GAO review</u>
28	\$ 9,705.19	Customers satisfactorily validated requisitioned quantities.
8 ^a	6,373.21	Customers cancelled a portion of the backordered material. (Note a)
31 ^b	15,862.08	Customers cancelled the total back-ordered requisitions. (Note b)
25	4,851.53	Customers did not reply as of the conclusion of our review.
<u>92</u>	<u>\$36,792.01</u>	

^aThe customers' replies did not indicate whether cancellations were due to changed or overstated requirements.

^bReplies did not indicate why the customer had not previously cancelled the requisitions.

FLC's computer is programmed to challenge a requisition when the quantity requested exceeds one-third of the requisitioning objective and the aggregate dollar value exceeds \$500. The computer does not, however, consider the aggregate number of requisitions submitted to FLC for the same FSN by the same customer. In the case of our test sample, few, if any, of the requisitions we examined qualified for challenge under the current computer criteria. However, when all the requisitions for the same FSN by the same customer were considered the aggregate quantity and dollar value almost always exceeded the criteria for a current computer challenge.

An additional FLC control is to require customers to periodically screen their requirements by reconciling backorders and reviewing outstanding requisitions. However, during our visits to several FLC supported using units, we noted that this procedure was not working effectively since the supply units had requisitions recorded as due-in from FLC that were not recorded on FLC's records.

We believe that Fleet Marine Forces, Pacific, should reevaluate existing mechanized and manual controls for challenging the validity of customer requisitions. Consideration should be given to (1) programming the computer to identify aggregate requisitions submitted by a customer for a specific FSN and (2) expanding manual screening procedures to cover a greater number of the backordered requisitions outstanding. In addition, we believe that continuing Command attention should be given to focus using unit attention on the need to periodically screen their requisitions to reconcile backorders and validate all outstanding requisitions.

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We would like to express our appreciation for the cooperation extended to our staff during this review. We would appreciate receiving any comments you may have concerning this matter,

Information copies of this letter are being furnished to the Commandant, Marine Corps.

Sincerely yours,



C. Roman
Director